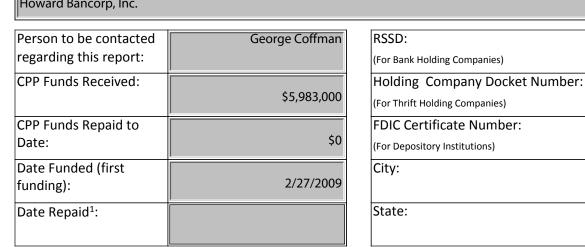
ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

•	•		
Howard Ra	ncorr	lnc	



¹If repayment was incremental, please enter the most recent repayment date.



57776

Ellicott City

Maryland

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

Increase lending or reduce lending less	\$5MM of the funds received were downstreamed to Howard Bank, Bancorp's sole banking
than otherwise would have occurred.	subsidiary in order to increase the bank's small business lending capacity without damaging the
	bank's well capitalized status. The commercial loan portfolio increased 24% in the 12 month period

increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	All loan categories increased with most growth occurring in the commercial real estate and commercial and industrial loan portfolios. Borrowers are all local entities and are all small and medium sized businesses.
 etc.).	To the extent that some proceeds(~\$900m) were left at the holding company for future bank capital needs, liquidity was marginally increased with cash, Fed Funds and Treasury bills being the investment vehicles of choice.
Make other investments	
 Increase reserves for non-performing assets	As the economy weakened for our local small business borrowers, the additional capital down-streamed to the bank allowed the bank to substantially, especially in the last quarter of the year ,increase the specific loan loss reserves.

	Reduce borrowings	
	Increase charge-offs	Some portion of the specific reserves taken in 2009 migrated to chargeoffs as a small number of
X	increase charge-ons	loans resulted in total or partial losses. Additionally, re valuation of one OREO property resulted in a
		loss. These provisions and losses were taken without losing the bank's well capitalized status.
	Purchase another financial institution or	
	purchase assets from another financial institution	
	mstitution	
	Held as non-leveraged increase to total	The small portion held at the holding company provided a reserve for the company.
	capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

The bank was able to stay actively involved in lending to our targeted small business customers - not calling loans to existing borrowers, meeting the working capital needs of existing borrowers, and acquiring new business borrowers most of whom felt ignored by larger institutions. We were also able to keep in place small residential mortgage programs that focused on community public servants- teachers, police officers, firefighters, and hospital workers). We did not have to stop lending as a small portion of our loan portfolio came under stress and required more significant provisioning. Normally growing while provisioning places so much strain on the capital of a bank that one or the other must be restrained. We were able to shore up our allowance, recognize some diminishment in asset values and still create new, high quality loan assets only because of the				
CPP capital infusion. We were also able to defer going to the capital markets to undertake these activities at a time when new share issuance can result in substantial dilution for shareholders. Given our largely local community shareholder base, this meant that we were able to improve the long term investment returns for these local shareholders.				
When the additional provisioning caused a loss , we did not have to cut staff (although we did freeze positions' compensation)				

We could not have grown the loan portfolio to the extent that we did (\$40MM- over 20% from early March through December of 2009) without the		
PP funds. We were also able to continue to make contributions to local not for profits (approximately \$50,000) . We were able to increase of		
nysical presence and provide additional customer access in a new contiguous geography (Anne Arundel County). We were also able to re		
aff , add credit administration staff and add relationship management staff .		

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.		

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.